



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 17, 2000

### **H.R. 4843** **Comprehensive Retirement Security and Pension Reform Act of 2000**

*As ordered reported by the House Committee on Ways and Means on July 13, 2000*

#### **SUMMARY**

H.R. 4843 would increase the maximum contribution limit for Individual Retirement Accounts (IRAs) to \$3,000 in 2001, \$4,000 in 2002, and \$5,000 in 2003. After 2003, the maximum contribution rate would be indexed for inflation. The bill also would increase the maximum IRA contribution to \$5,000 for individuals aged 50 or older in years 2001 and 2002. In addition, the bill would make numerous changes to pension laws.

The Joint Committee on Taxation (JCT) estimates that the bill would reduce revenues by \$1 billion in fiscal year 2001, by \$16 billion over the 2001-2005 period, and by \$52 billion over the 2001-2010 period. In addition, CBO estimates that the bill would decrease direct spending by between \$1 million and \$2 million over the 2001-2004 period. Because the bill would affect receipts and direct spending, pay-as-you-go procedures would apply.

H.R. 4843 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments. The bill contains one new private-sector mandate. JCT has determined the cost of this mandate would not exceed the threshold established by UMRA for private-sector mandates (\$109 million in fiscal year 2000, adjusted annually for inflation).

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of H.R. 4843 is shown in the following table. The outlay impact of this legislation falls within budget function 800 (general government).

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	By Fiscal Year, in Millions of Dollars					
	2000	2001	2002	2003	2004	2005

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**CHANGES IN REVENUES**

Estimated Revenues	0	-1,100	-2,469	-3,324	-4,161	-5,051
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**CHANGES IN DIRECT SPENDING**

Estimated Budget Authority	0	-1	a	a	a	0
Estimated Outlays	0	-1	a	a	a	0

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a. Less than \$500,000.

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**BASIS OF ESTIMATE**

JCT estimated the impact of the bill on federal revenues, with the exception of the change in fees charged by the Internal Revenue Service (IRS). Most of the revenue loss would result from the increase in the limit on IRA contributions. Those provisions would account for \$35 billion of the \$52 billion reduction in revenues over the 2001-2010 period.

Beginning on January 1, 2001, the bill would eliminate the fee the IRS currently charges for determination letters regarding small business pension plans that are less than five years old. CBO estimates that eliminating these fees would decrease governmental receipts (revenue) by \$19 million over the 2001-2003 period, net of income and payroll tax offsets. Under current law, the authority to charge such fees will expire at the end of fiscal year 2003. Thus this provision would have no impact beyond 2003. This estimate is based on recent fee collections and on information from the IRS.

The IRS has the authority to retain and spend, without further appropriation action, a small portion of the fees it collects from taxpayers for certain rulings and determinations. By eliminating the fee paid by small businesses for determination letters, H.R. 4348 would reduce the amounts available for the IRS to spend. CBO estimates that eliminating the fees would decrease direct spending by nearly \$1 million in 2001 and by amounts less than \$500,000 in each of fiscal years 2002-2004.

## **PAY-AS-YOU-GO CONSIDERATIONS**

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays and governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

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	By Fiscal Year, in Millions of Dollars										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Changes in receipts	0	-1,100	-2,469	-3,324	-4,161	-5,051	-5,858	-6,498	-7,168	-7,906	-8,722
Changes in outlays	0	-1	0	0	0	0	0	0	0	0	0

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## **ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS**

JCT has determined that H.R. 4843 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

## **ESTIMATED IMPACT ON THE PRIVATE SECTOR**

JCT has determined the provision that would prohibit allocations of stock in an Employee Stock Ownership Plan of a subchapter S corporation would be a new private sector mandate. JCT has estimated that the cost of this mandate would not exceed the threshold established by UMRA for private-sector mandates (\$109 million in fiscal year 2000, adjusted annually for inflation).

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